

GENERAL PROCEDURES

SYSTEMS REVIEWS

Question: Does the State use Employer account number edits (e.g., hash totals, check digits) to assure accurate processing of employer contribution reports?

Review Activities: Read recorded instructions; interview staff to confirm or modify knowledge of how system works; and observe computer edits while in process for inputting reports or review system rejects.

Verification Source: Record the procedure or evidence observed (e.g., observing actual inputting of contribution reports using hash totals or check digits, or checking system edit rejects).

Question: Is there a systematic review of the accuracy of new employer status determinations? If yes, what type of review? (e.g., supervisory, peer, quality review, etc.)

Review Activities: Review procedural manual; interview supervisor and employees; and use Acceptance Sample to look for initials on forms or other evidence that supervisory review occurred. If Quality Review (QR) System is said to exist, review the procedures, interview QR supervisor and employees, and examine the evidence that review occurred or observe actual test run in process.

Verification Source: Record the procedure or evidence observed (e.g., supervisor's initials on forms, or observation of actual Quality Review in process).

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Question: Does the State have a means to assure prompt deposit of checks that must be removed from normal processing (suspense account/exception file) due to problems (i.e., reports received from new employers whose liability has not yet been determined, or reports with no employer account number, etc.)?

Verification Test: Review procedures State uses and select several employer remittance items at random with unidentified employer account numbers from their suspense account or exception file at beginning of the quarter, and at end of quarter check to see what disposition has been made of items selected for the sample.

Verification Source: Record suspense account procedures used by the State and note the findings of the verification test conducted.

Question: Is there an automated system indicator to identify accounts that are delinquent?

If yes, is a system check performed every time a program is changed?

Verification Test: Interview programming staff as to the frequency of program changes. (These may be infrequent.) If programming changes are occurring, observe system checks to verify accuracy. If no programming changes are occurring, interview programming staff on the process that would be followed to verify changes are made properly.

Verification Source: Record observations if programming changes have occurred. Document interviews with programming staff if no changes have occurred.

Verification Sources should be listed in detail for each question. If a particular control or quality assurance measure can not be verified (and no compensating control can be identified), the answer to that Systems Review question will be "No", and the reviewer will have identified a "risk" in that tax function. It should be clearly noted on the Systems Review coding sheet and referenced in the comments of the Annual Report.

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d. Complete the Systems Review Forms

For each tax function, System Review forms are provided in this handbook. They consist of the review form, coding sheets, and narratives. Several common features of the forms are described below.

Review Form. Most questions on the form are answered either Yes or No; however, some questions request a particular number or a percentage. The reviewer should record the correct answer to each question based upon review of all sources of information.

Some questions on the form provide for "A" (Not Applicable), which should be used **only** when appropriate. An example of using an "A" could be the answer to a Review question in Account Maintenance which states, "Does the State apply a tolerance level for differences between amount due and amount received?", when the State does not use a tolerance level for such discrepancies.

Some questions ask the reviewer to explain or describe something. Space is provided to write answers out in their entirety.

Questions marked with an asterisk (*) are for information only and are non-evaluative. **(NOTE: a portion of a question may be asterisked, but other, sub components of the same question such as "a.", "b.", "c.", etc. may not be asterisked. In such a circumstance, only the asterisked portion is non evaluative.)** Informational questions in the Systems Review are not evaluative and do not require verification or explanation of "No" responses.

Coding Sheet. Data entry procedures described in a separate handbook.

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Narratives. The System Review forms provide a narrative section following each set of internal control questions to explain any "No",

"NA" or "Other" responses or exceptions that the reviewer thinks warrant further details. *Should there have been a Compensating Control that has been identified, verified, and authorized by the Regional staff as an appropriate control, it must also be described here.*

Additional space at the end of each tax function's Systems Review is provided to describe any exemplary procedures or practices used in a particular tax function. *If additional controls were identified beyond those mentioned in the TPS review, they are to be described as well, and this form is to be sent to the Regional Office who will transmit it to the National Office at the end of the Program Review as technical assistance.*

e. Complete the Program Review Chart (preliminary)

The Program Review Chart serves to compile the results of the Systems Reviews and Acceptance Sampling. Upon completion of the Systems Review, enter the preliminary findings on the Program Review Chart (Figure II-4). There are three possible entries for the Systems Review findings - the State's system of internal controls could be: (C) Complete, (R) Risk identified, or (O) Other Compensating Control identified. (Note: Later, after completion of the Acceptance Sampling, if any case has been found to be unacceptable, yet the System review was coded as "Complete", the reviewer may need to review the systems again to resolve the inconsistency between the Systems Review and the Acceptance Sample findings. Such additional review may yield some revisions to the Program Review Chart to identify the particular systemic weakness which caused the case to fail.)

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- Complete For each tax function, record "C" if all internal controls and quality assurance systems listed in the Systems Review were in place. This means that all evaluative questions were verified (VS) and answered "Yes", except for questions marked "Other"; and questions which are marked with an asterisk (because they are non-evaluative).
- Risk If any "No" answers appear in the Systems Reviews, it identifies a potential risk or weakness in that area of State controls. The reviewer must enter an "R" to signal the area of risk. The actual significance of the problem may not be evident until a sample of outputs is examined during the Acceptance Sampling phase of review. If any sample cases are coded as having "failed", the reviewer can quickly scan the Program Review Chart for the presence of an "R" to see what may have caused the problem.
- Other If a "No" answer is entered for a particular control, but the State has an "Other" control thought to compensate for this weakness or risk, the reviewer must examine the control, verify its existence (VS), and describe it in the spaces provided. *Regional staff must agree that the control adequately substitutes for the missing control. (Acceptance Sampling results should aid in this decision.)*
- An example for using "other" might be a State which does not reconcile total benefits charged with benefits paid to ensure accuracy of their charges. Normally, this would result in a "Risk" in their system of internal controls. However, a legitimate compensating control could be the State's system of sampling each potential charge allocation scenario on a random basis to confirm accuracy. TPS's Acceptance Sampling would confirm the effectiveness of the State's control and no "risk" would be assigned. An "O" is to be entered after the final judgement is made by the Regional Office that this Compensating Control is adequate.

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State : _____
 Review Period : _____

Figure II-4
PROGRAM REVIEW FINDINGS

Tax Function	Systems Review Verified Controls for:						Sampling	
	Recorded Instructions	Training	Recording of Events	Authorized Individuals	Execution of Events	Review of Work	EXCEPTIONS	COMPLETE
STATUS DETERMINATION								
New								
Successor								
Inact/Term.								
CASHIERING								
REPORT DELINQUENCY								
COLLECTIONS								
FIELD AUDIT								
ACCOUNT MAINTENANCE								
Contrib Rpt Processing								
Employer Debits/Billings							Contrib Reimb	Contrib Reimb
Employer Credits/Refunds								
Employer Charging								
Employer Tax Rates								

SYSTEMS REVIEW: C = All controls verified as present R = Risk, 1 or more controls missing O = Other control compensated for missing control (requires Regional approval)	SAMPLING EXCEPTIONS: S = Size of universe too small I = Invalid universe E = Exemption, tempo (Exp Rate only) FM = Failed due to missing case information W = Waived, tempo (requires Regional approval)	SAMPLING COMPLETE: P = Passed F/# = Failed/# of Cases Failing D = Discarded sample N = Not marked complete U = Undeterminable (Cashiering only)
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III. ACCEPTANCE SAMPLING



a. Select Samples

Acceptance Samples are not meant to stand alone. They are to be the means of confirming the performance of a system whose internal controls have already been assessed by a Systems Review. If risks have been identified in the Systems Review, the samples will likely verify that system outputs fail to meet minimum levels of accuracy or completeness. If a system is deemed to be risk-free, samples of outputs should confirm this fact. For these purposes, it is not necessary to draw large samples for estimating the defect or error rate. Large samples are costly and time consuming. Since the purpose of the samples in the TPS Program Review is to verify a level of performance, much smaller samples can be used.

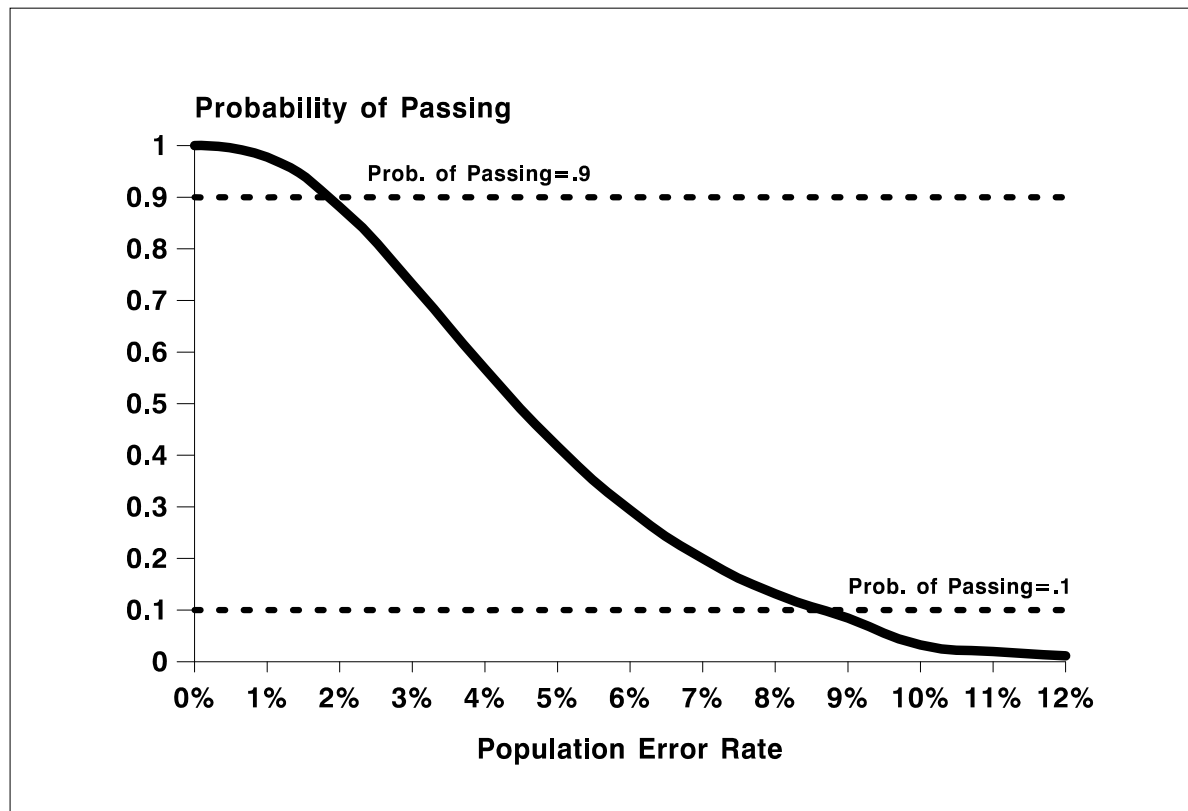
Once the System Review is complete, draw a sample of 60 cases from each tax function to confirm that system outputs meet minimum levels of accuracy or completeness (e.g., all appropriate actions are being taken to resolve delinquent reports, and field audits meet ESM requirements).

The desired accuracy/completeness level is at 98% - that is, 98% of the tax function's outputs or work products should be accurate. For a tax unit operating with an underlying accuracy level of 98%, there is an 88% chance that two or fewer errors will be discovered in a sample of 60 cases.

As the tax function's underlying accuracy level increases, there is a proportional increase in the chances of passing. Conversely, as the tax function's accuracy level decreases, the more cases in the sample are likely to fail.

The failure of three or more cases is reason to conclude that the exception rate for that function is at an unacceptable level. As the graph below shows, tax functions with accuracy levels below 98% still have a chance to pass sample review, but the probability of passing rapidly decreases as the underlying accuracy level decreases. For instance, if the underlying error is 9%, there is only an 8% chance of passing the sample.

Probability of Acceptance Sample Passing Sample Size=60 Allowable Errors=2



b. Case Non Use or Case Replacement.

There are three instances where cases may not be used, or case replacement may be necessary.

1. The particular case selected should **not** have been in the universe to be sampled. Note that this should not occur if, when developing sampling systems, the universe files were properly reviewed. There may be instances when the universe was not assembled correctly. For example, when building the universe of Collection cases, an account receivable which had less than \$100.00 unpaid UI tax due, could be inadvertently included. (The universe should consist of \$100., or more in unpaid tax) However, it is important to have some evaluation of each tax function if at all possible. If cases that should not be in the universe are selected, do not replace them, instead, continue extracting samples. As long as the sample contains a minimum of 53 valid cases (i.e., cases that meet the

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universe definition), two cases can still fail and the results of the Acceptance Sample will remain consistent with that of 60 case samples. In such instances, the Region needs to notify the National Office, who will ensure that the SUN system accepts such modification on a case-by-case basis.

If the sample size drops below 53, the tax function can not be evaluated.

The DP section should be alerted in order to make modifications for future sampling efforts. **The reviewer must then advise the Regional Office to ensure that future universes will be sound. Note must also be made in the Annual Report of this problem as well as steps to rectify it.**

2. In Collections, any cases selected that had already been subject to a TPS review the previous year, for which no subsequent debt was created, should be replaced.

3. The particular case selected cannot be reviewed due to a missing case folder, or other documentation is missing, such as the microfiche or image of source documents.

Sometimes documents cannot be found in order to make a ruling on the case's accuracy. Records may have been destroyed through circumstances beyond control of the State (e.g. fire, flood etc.). The documents may be misfiled or "checked out" to some other staff member and cannot be found. **IN INSTANCES OF THIS TYPE REPLACEMENT IS ALLOWED FOR ONE AND ONLY ONE LOST CASE.**

Before replacement the reviewer must: Assure themselves (as far as possible) that the work on the case was actually done, and make every effort to find the information. Check all possible places/persons where the information could be located.

If a SECOND case in the sample is missing then the State CANNOT reach a conclusion that there is reasonable assurance of accuracy. Results should be coded as a "No" on the Reasonable Assurance Chart for the Acceptance Sample findings. Further details on the finding can be explained in the Annual Report.

While the review may stop at this point, tax managers may wish to continue the review in order to get an unofficial assessment of how the tax function is faring or to see the extent of missing documentation.

For further details, consult Appendix A of this handbook.

c. Review Samples



Once the sample is selected, each case in it must be reviewed, using the appropriate sample questionnaire. Each questionnaire contains a series of questions which must be answered for each case to determine whether it is correct.

One of the more difficult aspects of rating the cases involves deciding whether or not a given case is acceptable. For some transactions, the decision is relatively simple. For example, if a given employer contribution was not credited to the proper account in the right amount, then the transaction is not acceptable. However, Status Determinations, Collections, and Field Audits have many more elements in them. Some of those elements may be incomplete or inaccurate without materially affecting the accuracy of the outcome. In each function, every effort has been made to identify the essential elements for analysis and to exclude unnecessary elements.

Any question that the reviewer and State has about materiality of an element should be resolved with Regional staff as per the earlier Planning for Reviews section.

Note that if a sample case uncovers that something was done in error, but that the error was subsequently discovered and rectified due to the State's internal controls, the case would not fail. If, however, the error is rectified due to the employer bringing it to the State's attention, the case fails.

Appeals When a case appearing in the sample is under appeal, the review procedure should not be affected when the reason or basis for an appeal or its outcome is not germane to the purposes of the review. However, the appeal is a structured legal proceeding. The reviewer should determine if the agency has followed established procedure up to the point at which the case is being reviewed.

d. Complete the Acceptance Sample Coding Sheet

The answers to the Acceptance Sample Questionnaire questions should be recorded on the coding sheet for the respective function. The coding sheet allows space to record an answer for each question on the questionnaire. Most questions are coded Yes or No; however, some questions on the form provide for "I" (Information Not Available) or "A" (Not Applicable) which should be used only when appropriate.

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Information There may be instances when information is not available. For example:
Not There is a question for the Collections sample which asks, "Were telephone
Available contacts made...for the most recent quarter of liability?". It cannot be answered
"yes" if no evidence can be located in the employer file to confirm a specific
telephone call. However, if a letter referencing a previous phone call is found the
TPS reviewer may draw the conclusion that such a phone call had probably been
made. Under such circumstances "I" would be the appropriate answer. If no
evidence exists that a phone call was made, yet State procedure requires one be
made, then the answer to this question would be "No". This is a judgment call on
the part of the reviewer, based on the information at hand and an understanding of
the State's particular policy regarding collections procedures.

Not Acceptance Sample questions are to be answered "A" only when appropriate.
Applicable This means that an "A" response is acceptable only if the State does not utilize
that process in their tax operations.. *Regional Office approval would be sought*
and this question would no longer be asked of the State.

The second instance when an "A" response would be acceptable is when the
process being reviewed was unnecessary in the case being examined. In the
Collection chapter a question is asked, "Did State procedures require enforcement
actions be taken to collect?" An example when "A" would be appropriate is if the
money was received after a couple of calls and further enforcement action was
unnecessary.

When all cases have been reviewed, the total number of acceptable cases should be entered at the
bottom of the coding sheet. At this time, the reviewer may wish to begin the process of entering
sample data into the SUN system.

An Acceptance Sample Explanation Sheet has been included in each chapter. Any sample case
that fails should be identified, and the potential responsibility for its failure should be noted.
This will assist reviewers later when they attempt to correlate systemic weaknesses with
resultant inaccuracies in various tax functions' output.

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e. Prepare Preliminary Findings and Meet with State Staff



At the conclusion of the Systems Reviews and Acceptance Sampling, the reviewer should complete the Reasonable Assurance Chart and draw conclusions as to whether the State has accuracy in all of the functions examined. (Soon after each review is finished tax managers should also be made aware of any problems that may have been found so they can clarify any misunderstandings or begin to consider potential program improvement strategies.)

Systems Reviews and Acceptance Sampling results are complementary. There are four possible outcomes after both procedures have been conducted: If no risk was found in the review of State controls, passing Acceptance Sampling is a **consistent** outcome. So is the situation of having identified risks in the State's internal controls and having failed sampling. However, findings of risk coupled with passing sampling; and findings no risk and failing sampling are **inconsistent** and require analysis and explanation.

SYSTEMS REVIEW

ACCEPTANCE SAMPLE

No Risk Found

Pass (consistency)

Fail (inconsistency)

Risk Found

Pass (inconsistency)

Fail (consistency)

The reviewer must take whatever steps are necessary to make the findings from the Systems Review and the Acceptance Sampling Review rational and consistent. For both inconsistent outcomes, additional analysis will be necessary to resolve the findings or provide an explanation for the inconsistency. Only then is the reviewer finished with preliminary findings.

FRAMEWORK FOR PROGRAM REVIEW ANALYSIS

SYSTEMS REVIEW FINDING

ACCEPTANCE SAMPLE FINDING

No Risk Found

Acceptance Sample Passes

Finding: the tax function's controls are in place and producing high quality outputs.

No Risk Found

Acceptance Sample Fails

Further Work: Re-examine the failed cases to confirm that they should have been judged as having failed. Examine the cause of sample failure, determine if it had simply been due to a rare case of human error and whether another sample case should be pulled.

Re-examine Systems Review findings. Are there any controls that should have been deemed at risk? If controls are proper, are they being executed by staff - is there a defect in the control's design? - Were the controls verified to be in place? Consider drawing second sample to confirm or refute findings, or drawing an expanded sample to produce a specific error level.

Finding: The tax function's controls are at risk and allowing inaccurate or incomplete outputs.

OR

Expanded sampling indicates that the tax function's controls are in place and producing quality outputs.

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Risk Found

Acceptance Sample Passes

Further Work: re-examine area at risk to determine whether 1) there is significant risk; or 2) the existing controls are strong enough to produce quality outputs; or 3) compensating controls have been overlooked; or 4) there are off-setting factors (still considered a risk by TPS) such as long-time competent employees in place.

Consider selecting another sample to confirm that the outputs are truly accurate. The sample design is such at there is a change of passing (2 or fewer errors in a sample of 60) even though there is an underlying error rate of 8.6% - this may be such a situation.

Finding: The tax function's controls are in place/or have offsetting factors/or are strong enough to produce accurate outputs. Produce recommendations for improving any controls.

OR

Additional sampling has produced failed cases - confirming that the tax function's controls are at risk and allowing inaccurate outputs.

Risk Found

Acceptance Sample Fails

Further Work: Analyze the cause and effect relationship of risk to failure. Consider drawing an expanded sample to estimate a true error rate. Develop recommendations for improvement.

Finding: The tax function's controls are at risk and allowing inaccurate outputs.

As always, it is important that State staff be integrally involved in the review process. Therefore, the reviewer should meet at this point with the appropriate State decision-maker (e.g.,

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UI Director and/or Tax Director) to discuss the preliminary findings. At the meeting the reviewer should briefly remind the State staff of the objectives and sub-objectives being analyzed. All findings should be discussed, the cause and impact of any problems should be presented, and means of addressing the problems should be considered.

The reviewer should also have examined the findings from Computed Measures, before meeting with State staff

If the State decision maker agrees with the findings the reviewer may proceed with data entry into the SUN system and the preparation of a written "draft" Annual Report. If the State decision maker does not agree with the findings, the reviewer will need to gather additional information. The reviewer may choose at this point to return to parts of the Systems Review. For example, the State staff might indicate that the reviewer has misunderstood something which was reviewed, or that additional information is available from a source which the reviewer did not use. The reviewer can repeat segments of the Systems Review to revise the findings or to confirm that the findings are correct. The State may elect to draw a second Acceptance Sample to confirm or deny the initial findings. Only two Acceptance Samples may be selected for each function.

If the State does not agree with the findings from the second Acceptance Sample, the next required step in the Program Review process becomes Expanded Sampling.

f. Select and Examine Expanded Samples

The purpose of expanded sampling in TPS is to support the findings of the review of internal controls, quality assurance systems and the acceptance or procedure review samples. Expanded sampling is not necessary when the State concurs with the findings. If, however, the State does not agree, then an expanded sample is necessary to estimate the potential impact of the weakness on program quality. Even when the State might agree with a finding, the reviewer has the option to select an expanded sample when there is uncertainty about the nature of findings and more detailed information is desired.

Expanded samples will be used to assess the extent of the problems identified by acceptance sampling. They will need to be large enough to develop precise estimates of the error rate. The State and TPS reviewer also may choose to use expanded sampling to identify the nature and cause of errors found during acceptance sampling. When used for these purposes it may be appropriate to draw the expanded sample only from a particular type of transaction.

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As the name implies, an expanded sample is an expansion of the acceptance sample. Therefore, expanded sampling follows the same steps and the preparation conducted for the acceptance sampling review can be used directly in conducting the expanded sampling.

The steps are:

- 1) determine the sample size
- 2) identify the transaction types and time periods
- 3) select the sample
- 4) review the sample, using the questionnaire for the function.

The steps are described in detail in Appendix A of this handbook.

g. Sampling by Exception

The TPS Program Review examines the routine processing of work in each major tax function by extracting samples of work products. By examining small samples of the majority of the State's work, assessment is made on the quality of the overall tax operation. However, some States may also be concerned about potential problems outside the routine flow of work. Areas that are more error-prone may warrant special attention: an example could be employer charge statements with credits which involve claimants with overpayments and/or monetary redeterminations.

These areas have not been included in the basic TPS design even though they are much more likely to result in error, because they only represent a small proportion of the tax operation's output.

If the State wishes to examine such exceptions, they may design an Acceptance Sample for these error-prone cases, or they may contact the Regional Office for assistance. *Regional staff may have knowledge of similar sampling processes used by other States, or the National Office may have a design that would be applicable*

The State may also want or need more information about a risk which the Systems Review identifies or a problem which reoccurs in Acceptance Sample cases. In these instances States may design a "special study" for informational purposes. Such a study may involve designing special questions and selecting a sample where the questions may be used to gather information or, in the case of an expanded sample, to determine the error rate. *States should contact their Regional Office for additional information regarding exception sampling.*

IV. CONCLUDING REVIEW



a. Assess Computed Measures' Findings

Program Reviews are intended mainly to assess reasonable assurance of accuracy in the tax operation. Computed Measures provide indicators of end-product timeliness and completeness. An assessment of a tax operation must weigh all these factors (i.e., timeliness and accuracy are both important in the Status operation - however, timeliness of determinations should not be at the cost of accuracy. An acceptable balance must be sought). Computed measures will be generated based on data derived from routine State reports.

TPS has developed reports which display trends over time within a State and among States. These reports are on the TPS section within the SUN system should be examined by the TPS reviewer along with the findings from Program Reviews to develop a comprehensive evaluation of the State's tax operation. Links to national tax data are also available at the web site [www://ows.doleta.gov](http://ows.doleta.gov), under "Unemployment Insurance", "Performance Management", "UI Performs Performance Measures" and under "Tax Performance System".

Refer to Appendix B for data processing instructions for Computed Measures.

b. Complete the Program Review Chart

Before completing the Annual Report, reviewers need to complete the Program Review Chart. The purpose of the chart is to:

Summarize the results of the Acceptance Sampling relative to which functions have reasonable assurance of accuracy,

Record how individual portions of the System Reviews contribute to reasonable assurance of quality.

Reviewers should fill in every cell on the Chart which is not shaded. The allowable entries are described. (Note that the electronic version of this Chart on the SUN system has slightly different codes to reflect the automated nature of the SUN version.)

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COMPLETION OF THE PROGRAM REVIEW CHART

Systems Review

ENTRY	MEANING
C (Complete)	All internal controls were verified as being in place and operating
R (Risk)	One or more controls were missing or not verified (One or more "No" answers to evaluative questions)
O (Other)	Another, "compensating control" was verified as being in place and operating (Regional approval required)

Acceptance Sampling

ENTRY	MEANING
Y (Pass)	Fewer than 3 cases failed sampling (internal controls are effective in producing quality outputs)
N (Fail)	Three or more cases failed sampling review (internal controls are not effective in producing quality outputs) or Two or more cases were missing (insufficient documentation to rule on quality of outputs)
D (Discard)	Sample was discarded

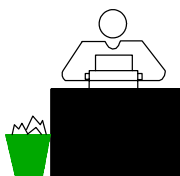
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At this point the data from the Systems Reviews and Acceptance Sampling should be consistent, in which case judgments are reasonably straight forward. When/if there is inconsistency between findings from the two sources and it's impossible to resolve them, the overall determination of the tax function's quality is to be based on the findings of the Acceptance Sample (or Expanded Sample if one was used). Inconsistencies should be noted in the Annual Report.

The Program Review Chart should be attached to the Annual Report. *Any Regional comments such as those dealing with compensating controls or approval of "A" categories in Acceptance Sampling should also be included.*

c. Prepare Draft TPS Report



Upon completion of all portions of the review, the reviewer will prepare a draft report of the findings. The report should follow the structure of the TPS Report (example provided in Appendix D) with the exception of the section on State response, which is not completed at this time.

The draft report is to include information from Systems Reviews, Acceptance Sampling, Expanded Sampling (as necessary), and Computed Measures. It is meant to convey in narrative form the areas of strengths and weaknesses in the State tax operation. The TPS Report should simply and clearly inform State Administrators and Regional representatives of the areas of concern, exemplary practices and program improvements.

The report should be organized under the following topics:

<u>Purpose</u>	A brief statement of the purpose of the report and the date the review was completed.
<u>Summary of Findings</u>	The purpose of this part of the report is to provide a synopsis of what was found, recommendations, and exemplary practices. (The remainder of this report goes into greater depth on how the data was gathered, sources, cause, effects, and more detailed recommendations.)
<u>Objectives</u>	Explain what was reviewed and the methodologies used.

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Principal Findings Provide a detailed analysis of overall findings, identifying the tax functions that failed Acceptance Sampling, and areas identified as needing improvement.

For each tax function indicate:

If any cases failed, the number, and why they failed.

The risks identified during the Systems Review and where they were found.

List any compensating controls found to exist. (Attach Regional approval of the ability of such controls to substitute for TPS-listed controls)

List any controls that were said to be in place but could not be verified (VS).

Correlate any Acceptance Sample failures with risk found in the Systems Review, or explain any inconsistencies (e.g., risks but pass, no risks but fail)

If computed measures data is provided for the function, examine the trends they reveal, and if appropriate, correlate them with Program Review findings.

Make recommendations - if appropriate, discuss possible solutions with the individual responsible for the tax function being reviewed.

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<u>Exemplary Practices</u>	Mention practices that are positive which could be used by other units within the State or other States. Bring these to the Region's attention.
<u>Global/Systemic Trends</u>	Mention any overall trends where risks are found or areas of concern were noted. If systemic strengths are noted throughout the various reviews, they should be elaborated on in this area of the report.

As the reviewer analyzes TPS findings, potential recommendations should be developed. Input could be sought from those most directly involved with the tax functions at the State and Regional levels.

d. Conduct Exit Interview

At the Exit Interview the entire review team should meet with the UI Director, Tax Director and other staff designated by the State. The meeting will cover each section of the written report and is to be shared with the State. If the preliminary meeting on findings was detailed, and if no expanded sampling was done, this portion of the Exit Interview may be brief. It may simply confirm that the written document incorporates previous understandings.

The second portion of the Exit Interview will be a discussion of State activities which could be undertaken to correct problems identified or to expand the approaches which are producing high quality products.

e. Prepare the TPS Annual Report

The Report should consist of a 1- or 2-page Executive Summary which briefly describes principal findings and summarizes suggested improvements, and a more detailed section which evaluates every tax function in terms of accuracy, timeliness and completeness. It must include information from: Computed Measures, Program Reviews (i.e., Systems Reviews and Acceptance Sampling), and Expanded Sampling (if performed).

Any comments the agency wishes to make should become a part of the report. Action(s) taken and/or planned to be taken to correct any areas identified as needing improvement should also be reported.

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CONCLUDING REVIEWS

The final evaluation of the State's tax operations is based on Computed Measures data and Acceptance Sample findings. The Systems Review serves to identify areas of strengths and weaknesses for program improvement. The TPS design focuses on the downstream effect - if there is no material effect on current or future payment of UI tax (as evidenced by sample findings in which all cases "pass" i.e., meet quality standards), then the State has reasonable assurance of a quality tax operation. For instance, when risks are identified in the Status operation, but the unit is still able to produce accurate and timely determinations, the TPS Annual Report will indicate that there are specific areas of risk (and what the recommended solutions may be), but that the State presently has confirmed acceptable levels of accuracy for its Status Determinations.